



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2041 (1951)

January 19, 1990

SUBJECT: Rural Housing Loans and Debt Restructuring
of Farmer Programs Loans

TO: State Directors, District Directors and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the handling of Rural Housing (RH) Loans for Farmer Programs borrowers when their Farmer Programs loans are restructured. The intended outcome is to ensure the proper handling of RH loans when Farmer Programs loans are serviced.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN 1921(1951) dated May 11, 1989, which expired September 30, 1989.

IMPLEMENTATION RESPONSIBILITIES:

1. Rural Housing Loans for Farm Buildings

The RH loans for Farm Buildings (RHF) will be handled similar to other Farmer Programs loans for debt restructuring (such as reamortization, write down and etc.) except the term of a RHF loan cannot exceed 33 years from the date of the original loan.

2. Cross-Collateralized Rural Housing Loans

All RH loans can be considered for reamortization under FmHA Instruction 1951-G, paragraph 1951.314 when the Farmer Programs loans are being serviced under FmHA Instruction 1951-S.

3. Net Recovery Value and Rural Housing Loans

If the RH loan is a prior lien to the Farmer Programs loans, the RH loan will be entered in DALR\$ Net Recovery Value Data Screen as a prior lien when the net recovery value is calculated. If

EXPIRATION DATE: December 31, 1990

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



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Secretary of Agriculture, Washington, D.C. 20250

the RH loan is a lien junior to the Farmer Programs loans, it will not be entered in the net recovery value calculations in DALR\$.

4. Loan Input Screen and Rural Housing Loans

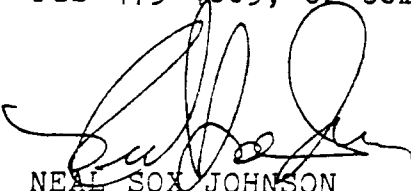
One revision made in the 4.2 Version of DALR\$ is to allow an RH loan to be entered into the Loan Input Screen, and the RH loan will not affect the present value of restructured payments. If the RH loan is entered in the DALR\$ Loan Input Screen, the RH loan payment CANNOT be handled as a payment to another lienholder.

5. Continuing with Rural Housing Loans

If the borrower cannot develop a feasible plan and is eligible for net recovery buyout, the borrower may pay the net recovery buyout for the Farmer Programs loans, and continue with the RH loan. The borrower would sign a Net Recovery Recapture Agreement for the Farmer Programs loans. On page one of the DALR\$ printout the amount of the Net Recovery Value is printed. You should add the words "Farmer Programs" after FmHA in the first sentence of the net recovery value paragraph, so that the first sentence reads, "You may buy out your FmHA Farmer Program loans for the net recovery value of \$\$\$\$\$." Also, add the following sentence to the paragraph, "You also owe FmHA \$\$\$\$\$ on your Rural Housing Loan."

If the borrower has an RH loan secured by a non-farm tract that is cross-collateralized with Farmer Programs loans, the borrower may continue with the RH loan in accordance with Paragraph 1965.26(c)(2) of FmHA Instruction 1965-A. This provision only applies in liquidation cases. It should not be used for debt write down or buyout cases.

If you have any questions, contact Ann Eggleston of Farmer Programs Loan Servicing and Property Management Division at FTS 475-4009, or commercial (202)475-4009.



NEAL SOX JOHNSON
Acting Administrator

Sent by Time Delay Option to States at 2 pm on 1/23/90 ; to
Districts at 4 pm on 1/23 ; and Counties at on 1/24/90 by ASD.
9 am